

Message Text

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PAGE 01 STATE 185988 TOSEC 080174
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TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 185988 TOSEC 080174

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CHEROKEE FOR THE SECRETARY FROM CHRISTOPHER

E.O. 11652: XGDS-1

TAGS: OVIP (VANCE, CYRUS), PFOR, PN

SUBJECT: STATUS OF PANAMA CANAL NEGOTIATIONS

1. THE FOLLOWING REPORT WAS PREPARED BY SOL AND ELLSWORTH.
I AM TRANSMITTING A COPY TO THE PRESIDENT.

2. LAST NIGHT AMBASSADORS BUNKER AND LINOWITZ, AT THE
RESIDENCE OF PANAMANIAN AMBASSADOR LEWIS, TALKED BY TELE-
PHONE WITH PANAMANIAN NEGOTIATORS IN BOGOTA AND IN PANAMA
CITY. THESE CONVERSATIONS LASTED FROM ABOUT 6:30 TO 11:30
PM, INVOLVED DISCUSSION OF ALL OUTSTANDING ISSUES, AND
BROUGHT US EVEN CLOSER TO AGREEMENT ON A NEW TREATY.

3. AS THE U.S. NEGOTIATORS LEAVE FOR PANAMA, THE STATUS
OF NEGOTIATIONS IS AS FOLLOWS:

(1) ECONOMIC ARRANGEMENTS: PANAMA WILL ACCEPT OUR
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PAGE 02 STATE 185988 TOSEC 080174

PROPOSAL (INCLUDING USE OF AN APPROPRIATE U.S. INFLATION
INDEX APPLIED TO THE 30? PER TON ANNUITY, AND INCLUDING
THE FIXED PAYMENT OF \$10 MILLION PER ANNUM PLUS ANOTHER
\$10 MILLION IF AVAILABLE FROM CANAL EARNINGS, SUBJECT TO
MAKING UP DEFICITS FROM SURPLUS IN FUTURE YEARS).

(2) LANDS AND WATERS: MOST ISSUES HAVE NOW BEEN

SETTLED ON THE BASIS OF OUR RECENT NEGOTIATING POSITION.
WE HAVE AGREED TO EXPLORE UNDER THE TREATY, SETTLEMENT
OF REMAINING ISSUES WHICH HAVE BEEN IN OUR DISCUSSIONS,
AND EXPECT NO MAJOR DIFFICULTY IN THEIR RESOLUTION.

(3) SEA-LEVEL CANAL: THE PANAMANIAN THIS MORNING
PROPOSED THE FOLLOWING SEA-LEVEL CANAL PROVISION INSTEAD
OF THE ONE WE HAD PUT FORWARD EARLIER. BUNKER AND LINO-
WITZ BELIEVE IT TO BE ACCEPTABLE.

BEGIN QUOTE. THE REPUBLIC OF PANAMA AND THE UNITED
STATES OF AMERICA, FORESEEING THE POSSIBILITY THAT IN THE
FUTURE A SEA-LEVEL CANAL IN PANAMA MAY HAVE IMPORTANCE
FOR INTERNATIONAL NAVIGATION, COMMIT THEMSELVES, AFTER
THE PANAMA CANAL TREATY ENTERS INTO FORCE AND DURING ITS
LIFETIME TO STUDY JOINTLY THE FEASIBILITY OF A NEW INTER-
OCEANIC WATERWAY ON PANAMANIAN TERRITORY. THEREFORE, IF
THE PARTIES AGREE THAT SUCH WATERWAY IS NECESSARY IN THE
INTEREST OF THE REPUBLIC OF PANAMA, THE USA AND WORLD
COMMERCE, BOTH COUNTRIES WILL UNDERTAKE TO NEGOTIATE
MUTUALLY AGREEABLE TERMS PERTAINING TO THE CONSTRUCTION
OF THE NEW WATERWAY. END QUOTE.

(4) MISCELLANEOUS : A FEW MINOR ISSUES REMAIN SUCH
AS THE DISPLAY OF FLAGS, COORDINATION OF PORT MANAGEMENT,
SECRET

SECRET

PAGE 03 STATE 185988 TOSEC 080174

ETC. NO MAJOR DIFFICULTIES ARE EXPECTED.

5. THE OUTLOOK IS THAT, BARRING QUITE UNFORESEEN PROBLEMS,
WE WILL BE ABLE TO REACH CONCEPTUAL AGREEMENT EARLY NEXT
WEEK AND THAT AN ANNOUNCEMENT TO THAT EFFECT WILL BE MADE
IN PANAMA. THE NEGOTIATION OF TREATY TEXTS IS ALSO PRO-
CEEDING QUICKLY, AND FINAL TEXTS WILL BE READY BEFORE
LONG.

CHRISTOPHER

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